

# Notice

## City Sales Tax Options

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Texas Comptroller of Public Accounts

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A city, county or special purpose district cannot adopt a sales tax if the combined rate of all local sales taxes would exceed 2 percent at any location within its territorial limits.

**Regular Sales Tax** (1 Percent) – Most cities in Texas have this form of sales tax. It can be imposed by any incorporated city. Revenues are deposited into the city's general revenue fund and may be used for any lawful purpose. (Chapter 321, Tax Code) (1 percent only)

**Sales Tax for Property Tax Relief** (one-eighth, one-fourth or one-half of 1 percent) – This "additional sales tax" can be imposed by most incorporated cities (there are exceptions in certain counties with rapid transit systems), and revenues are deposited into a city's general revenue fund. Cities adopting this form of local sales tax must reduce the effective and rollback property tax rates within the city. (Chapter 321 Tax Code)

Counties and hospital districts that impose an ad valorem tax may also levy this form of sales tax, but at different rates.

**Sales Tax for Economic Development** (one-eighth, one-fourth, three-eighths or one-half of 1 percent) – Two options (under Tex. Rev. Civ. St. art. 5190.6—the Development Corporation Act of 1979) are available for a city to adopt this tax:

Option #1 – Sec. 4A – This form of tax can be imposed by most incorporated cities. (There are exceptions in certain counties with mass transit systems). Revenues must be turned over to a development corporation formed to act on behalf of the city in carrying out programs related to industrial development and the promotion of new and expanded business enterprises that create or retain primary jobs.

Option #2 – Sec. 4B – This form of tax can be imposed by any incorporated city. Revenues must be turned over to a development corporation formed to act on behalf of the

city in carrying out programs related to a wide variety of projects including public parks and business development.

**Crime Control and Prevention District Tax\*\*** (one-eighth, one-fourth, three-eighths or one-half of 1 percent) – Subject to voter approval, this sales tax can be imposed by a city located in a county with a population of more than 5,000 or by a county with a population of more than 130,000. The governing body in a municipality or commissioners court may specify the number of years (5, 10, 15 or 20) the district would be continued. Revenues from the sales tax may be used to finance a wide variety of crime control and prevention programs. (Chapter 363, Local Government Code & Sec. 323.105, Tax Code)

**Venue Tax "Stadium Bill"** (one-eighth, one-fourth, three-eighths or one-half of 1 percent) – This sales tax is one of several revenue options available to a city to fund sports and community "venue" projects. Multiple cities and counties in any combination may join to form a venue district under Chapter 335, Local Government Code, as well. Some examples of a "venue" are a stadium, convention center, park or economic development-type facility. (Chapters 334 and 335, Local Government Code)

**Street Maintenance Sales Tax** (one-eighth or one-fourth of 1 percent) – All cities are authorized to hold an election to adopt a sales tax to repair and maintain existing city streets. The tax expires after four years unless a new election is held to reauthorize the tax. The revenue from this tax can only be used to maintain and repair existing city streets. (Chapter 327, Tax Code)

**Fire Control, Prevention, and Emergency Medical Services (EMS) Districts \*\*** (one-eighth, one-fourth, three-eighths or one-half of 1 percent) – Cities with a population between 25,000 and 550,000 or more than 1.9 million may create an EMS district. The district may include all or any part of a city. The district may finance the operation of a fire control, prevention, and EMS program. (Chapter 344, Local Government Code and Tax Code, Section 321.106)

**Municipal Development Corporation** (one-eighth, one-fourth, three-eighths or one-half of 1 percent) – Chapter 377, Local Government Code, also known as the “Better Jobs Act,” allows a city to create a municipal development corporation to undertake projects to provide job training, early childhood education, after-school programs, scholarships, literacy promotion and other projects. Voters in the city may authorize adoption of a sales tax to fund activities of the corporation. (Chapter 379A, Local Government Code)

**Municipal Development Districts \*\*** (one-eighth, one-fourth, three-eighths or one-half of 1 percent) – Chapter 377, Local Government Code, authorizes cities to hold an election in all or part of a city, including the extra territorial jurisdiction, to create a municipal development district and adopt a sales tax to fund the district. The district could undertake a variety of projects including a convention center, civic center, auditorium and other projects eligible under Tex. Rev. Civ. St. art. 5190.6 Sec. 4B(a). (Chapter 377, Local Government Code)

**Metropolitan and Rapid Transit Authorities/ Municipal Transit Departments \*\*** (one-quarter, one-half and three-fourths of 1 percent or 1 percent) – In certain instances, authorities may be created to levy a sales tax upon voter approval for providing transportation services in participating cities. These are not offered statewide to all cities and are generally found in metropolitan areas. Cities may opt to join and, in some cases, withdraw from an authority with voter approval. The tax rate is generally authorized to be implemented in increments of one-quarter of one percent under section 453.401, Transportation Code. (Chapters 451, 452, and 453, Transportation Code/ Chapter 322, Tax Code)

**\*\*** This tax is actually imposed by a board, municipality, district or authority for the benefit of the district or authority, and is included in this list because the district or authority is essentially created by or through an action of and for the benefit of the city.

*Receive tax help via e-mail at [local.govt@cpa.state.tx.us](mailto:local.govt@cpa.state.tx.us)  
For more information, visit our Web site [www.window.state.tx.us/lga/](http://www.window.state.tx.us/lga/)*

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Automotive Oil Fee  
Battery Fee  
Boat and Boat Motor Sales Tax  
Customs Broker  
Fireworks Tax  
Mixed Beverage Tax  
Off-Road, Heavy-Duty Diesel Equipment Surcharge  
Oyster Fee  
Sales and Use Taxes  
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Franchise Tax

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Spanish

**(800) 531-1441**

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